

State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

IDAHO HORSE BOARD

FY 2005 and 2006

Report OP85806
Date Issued: January 11, 2008

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Idaho Horse Board was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the Board's financial statements.
2. The degree of compliance with various State laws, rules, and regulations affecting the fiscal operations of the Board.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the Board for the fiscal years ended June 30, 2005 and 2006.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed Board personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Jeff Trotter, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO HORSE BOARD

PURPOSE AND SCOPE. We have audited the financial statements of the Idaho Horse Board for the fiscal years ended June 30, 2005 and 2006, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Board's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION. We conclude that the Board's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Board's financial statements.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE. The Board has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The Board receives its funding from fees assessed on horse brand inspections conducted in Idaho.

IDAHO HORSE BOARD

BALANCE SHEET

	<u>June 30, 2006</u>
ASSETS	
Cash	\$15,385
Receivables	<u>1,606</u>
Total Assets	<u>\$16,991</u>
LIABILITIES	
Grants Payable	<u>\$6,000</u>
Total Liabilities	<u>\$6,000</u>
NET ASSETS	
Unrestricted	<u>\$10,991</u>
Total Net Assets	<u>\$10,991</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	<u>June 30, 2006</u>
REVENUES	
Brand Inspection Assessment	\$16,366
Interest Income	<u>8</u>
Total Revenues	<u>\$16,374</u>
EXPENDITURES	
Administrative Expenses	\$9,955
Grants	<u>31,030</u>
Total Expenditures	<u>\$40,985</u>
Excess of Revenues over Expenditures	(\$24,611)
OTHER FINANCING SOURCES	
Extraordinary Gain	4,024
Net Change in Fund Balance	(20,587)
Beginning Fund Balance	<u>31,578</u>
Ending Fund Balance	<u>\$10,991</u>

This report is intended solely for the information and use of the Idaho Horse Board and the Idaho Legislature and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Forrest Hymas, and his staff.

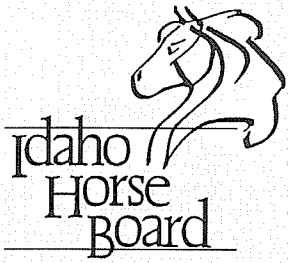
QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division

Eugene Sparks, CPA, CGFM, Managing Auditor

Report OP85806

AGENCY RESPONSE



*Education, Promotion & Research
for the Idaho Equine Industry*

December 10, 2007

Mr. Don Berg
Audit Manager
Legislative Services Office
Statehouse
P.O. Box 83720
Boise, ID 83720-0054

Dear Mr. Berg,

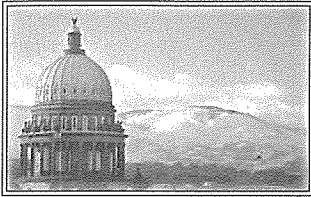
Thank you for providing a confidential draft of the Idaho Horse Board audit for the fiscal year ending June 2006.

I have read through the audit detail and agree with the report the way it is written.

Thank you for your assistance.

Best regards,

Forrest P. Hymas
Executive Director



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 15, 2007

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Forrest Hymas, Executive Director
Members of the Idaho Horse Board
803 Canyon Road
Hailey, ID 83333

Dear Mr. Hymas and Members of the Idaho Horse Board:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho Horse Board as of and for the years ended June 30, 2005 and 2006, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Board as of June 30, 2005 and 2006, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

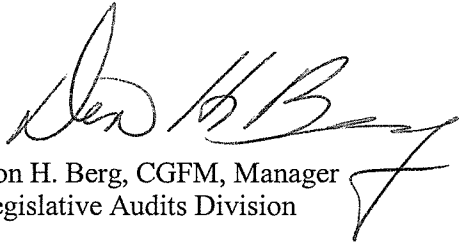
Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

The Board has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg". The signature is fluid and cursive, with a large, stylized "B" and a long, sweeping horizontal stroke at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO HORSE BOARD
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005 AND 2006

	June 30, 2005 Governmental Activities	June 30, 2006 Governmental Activities
ASSETS		
Cash	\$35,269	\$15,385
Receivables	2,309	1,606
Total Assets	<u>\$37,578</u>	<u>\$16,991</u>
LIABILITIES		
Grants Payable	<u>\$6,000</u>	<u>\$6,000</u>
Total Liabilities	<u>\$6,000</u>	<u>\$6,000</u>
NET ASSETS		
Unrestricted	<u>\$31,578</u>	<u>\$10,991</u>
Total Net Assets	<u><u>\$31,578</u></u>	<u><u>\$10,991</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO HORSE BOARD
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2006

<u>FISCAL YEAR 2005</u>		Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Function/Programs	Expenses	Charges for Services
Governmental Activities:		
Administration	\$10,196	\$0
Grants	15,348	0
Total Governmental Activities	<u>\$25,544</u>	<u>\$0</u>
General Revenues:		
Brand Inspection Assessment		\$19,325
Interest Income		17
Total General Revenues		<u>\$19,342</u>
Change in Net Assets		<u>(\$6,202)</u>
Beginning Net Assets		<u>37,780</u>
Ending Net Assets		<u>\$31,578</u>

<u>FISCAL YEAR 2006</u>		Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Function/Programs	Expenses	Charges for Services
Governmental Activities:		
Administration	\$9,955	\$0
Grants	17,814	0
Special Projects	13,216	0
Total Governmental Activities	<u>\$40,985</u>	<u>\$0</u>
General Revenues:		
Brand Inspection Assessment		\$16,366
Interest Income		8
Extraordinary Gains		4,024
Total General Revenues		<u>\$20,398</u>
Change in Net Assets		<u>(\$20,587)</u>
Beginning Net Assets		<u>31,578</u>
Ending Net Assets		<u>\$10,991</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO HORSE BOARD
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2005 AND 2006

	June 30, 2005 Special Revenue Fund	June 30, 2006 Special Revenue Fund
ASSETS		
Cash	\$35,269	\$15,385
Receivables	2,309	1,606
Total Assets	<u>\$37,578</u>	<u>\$16,991</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	<u>\$6,000</u>	<u>\$6,000</u>
Total Liabilities	<u>\$6,000</u>	<u>\$6,000</u>
Fund Balance:		
Unreserved and Undesignated Fund Balance	<u>\$31,578</u>	<u>\$10,991</u>
Total Liabilities and Fund Balance	<u>\$37,578</u>	<u>\$16,991</u>

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

	FY 2005	FY 2006
Total Fund Balance for Governmental Funds	<u>\$31,578</u>	<u>\$10,991</u>
There is no difference in the amounts reported for governmental activities in the Statement of Net Assests and the Balance Sheet.	<u>0</u>	<u>0</u>
	<u>\$31,578</u>	<u>\$10,991</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO HORSE BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEARS ENDED JUNE 30, 2005 AND 2006

	FY 2005 Special Revenue Fund	FY 2006 Special Revenue Fund
REVENUES		
Brand Inspection Assessment	\$19,325	\$16,366
Interest Income	17	8
Total Revenues	<u>\$19,342</u>	<u>\$16,374</u>
EXPENDITURES		
Administration	\$10,196	\$9,955
Grants	<u>15,348</u>	<u>31,030</u>
Total Expenditures	<u>\$25,544</u>	<u>\$40,985</u>
Excess (Deficiency) of Revenues		
Over Expenditures--Net Change	(\$6,202)	(\$24,611)
Other Financing Sources:		
Extraordinary Gain	0	4,024
Beginning Fund Balance	<u>37,780</u>	<u>31,578</u>
Ending Fund Balance	<u><u>\$31,578</u></u>	<u><u>\$10,991</u></u>

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

	FY 2005	FY 2006
Net Change in Fund Balance - Government Funds	<u>(\$6,202)</u>	<u>(\$24,611)</u>
Extraordinary gain is not a normal revenue source.	<u>0</u>	<u>4,024</u>
Change in Net Assets of Governmental Activities	<u><u>(\$6,202)</u></u>	<u><u>(\$20,587)</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The financial statements of the Idaho Horse Board have been prepared in conformity with United States generally-accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The Board has considered potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. As defined by *GASB Statement No. 14*, amended by *GASB Statement No. 39*, financial accountability exists generally if (1) the Board appoints a voting majority of the organization's governing board, and (2) the Board is able to impose its will on the organization, or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board. No such component units were identified.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net assets and the statement of activities report all activities of the Board as governmental activities. These activities are financed primarily from brand inspections made by the Idaho Brand Board for horses sold in Idaho.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board. Direct expenses are those specifically associated with a function and therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by recipients for goods or services offered by the program. Revenues not classified as program revenues are presented as general revenue.

Fund Financial Statements

The fund financial statements provide information about the Board's Special Revenue Fund. Fund financial statements differ from government-wide financial statements as explained below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the balance sheet. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Board considers all revenues reported in the Special Revenue Fund to be available if the revenues are collected within 60 days following year-end. Brand inspection fees and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

CAPITAL ASSETS

The Board did not acquire any capital assets in fiscal year 2005 or 2006.

BUDGETS AND BUDGETARY ACCOUNTING

The Board adopts an annual budget on a modified accrual basis. Idaho Code, Section 25-2506, provides the Board with a continuous appropriation, which means spending authority is not limited by the legislature. Therefore, encumbrance accounting is not used.

OTHER

Refunds received are credited to the original expenditure classification.

Prepaid expenses are vendor payments made to vendors for products or services that will benefit the period beyond the June 30 fiscal year end.

Accounts payable are grants that were awarded by the Board prior to June 30, but were not paid until after the June 30 fiscal year end.

NOTE #2

CASH AND INVESTMENTS

The ending cash balances and investments at June 30, 2006 are as follows:

	June 30, 2005	June 30, 2006
US Bank Checking Account	\$26,774	\$7,133
US Bank Money Market Account	<u>8,495</u>	<u>8,252</u>
Total	<u>\$35,269</u>	<u>\$15,385</u>

The funds in the US Bank are insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE #3

COMPENSATED ABSENCES

The Board does not have any employees, so no compensated absences are accrued.

NOTE #4

FUNDING

The Board is financed by an assessment for each horse inspected by the Idaho State Brand Inspector. The assessment is paid by the horse owner to the Idaho Brand Board, who in turn remits these fees monthly to the Horse Board, less 10% in collection fees.

During prior fiscal years, the fee assessment was \$1.00 per horse. A referendum to increase the fee to \$3.00 per horse was approved in fiscal year 2007.

NOTE #5

DONATIONS

The Board received donations from two equestrian organizations in fiscal year 2006. In addition to these donations, Board members donate part of the amount they are allowed to claim for Board activities. This results in an offset of operating expenses and is not included as a donation or as an operating expense in the financial statements.

NOTE #6
GRANTS

The Board awarded the following grants during the audit period to be used to promote and benefit the horse industry in Idaho:

GRANTS AWARDED IN FY 2005

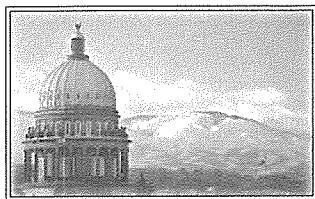
Sawtooth Pony Club	\$285
Sage Brush Riders 4-H Club	40
Idaho Horse Council	4,000
Kooskia Saddlers	500
BRB of Idaho Productions	75
McCall Pony Club	75
CSI Equine Club	250
District III Horse and Pony Club	473
Idaho Horse Council	1,000
Payette National Forest	700
Blaine County Fair Board	700
Magic Valley Breeders Association	700
Northwest Equine Reproduction Association	1,500
Idaho Equine Foundation, Inc.	1,000
Scott's Arena	300
Carey Rodeo Association	300
Caribou County 4-H and Youth Council	300
Purple Sage Riders 4-H Club	150
Horse Board Special Projects	<u>3,000</u>
TOTAL	\$15,348

GRANTS AWARDED IN FY 2006

Minidoka Fair Board	\$1,000
Blackfoot Saddlemen's Association	1,500
Clearwater County 4-H and Horse Leaders Council	366
Idaho Horse Expo	4,000
Salmon River Chapter Back Country Horsemen	2,650
Boundary County 4-H	473
Grangeville Border Days	500
Challis Rodeo Improvements	1,500
Sage Brush Riders	25
Teton County 4-H	1,000
Blain County Fair Board	800
Caribou County 4-H Program	2,000
Orphan Acres, Inc.	1,500
Helping Hands Freedom Trails	<u>500</u>
TOTAL	\$17,814

NOTE #7
EXTRAORDINARY GAIN

Extraordinary gain is revenue that is unusual in nature and infrequent in occurrence. This gain was from grants from prior years that were not completely used, and the excess funds were returned to the Horse Board.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 15, 2007

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Forrest Hymas, Executive Director
Members of the Idaho Horse Board
803 Canyon Road
Hailey, ID 83333

Dear Mr. Hymas and Members of the Idaho Horse Board:

We have audited the financial statements of the Idaho Horse Board as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was

not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the management of the Board in a separate letter.

This report is intended solely for the information and use of the Idaho Horse Board and the Idaho Legislature and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

APPENDIX

HISTORY

The Idaho Horse Board was established under the Department of Self-Governing Agencies on July 2, 1987, by Idaho Code, Title 25, Chapter 25.

PURPOSE

The purpose of the Board is to promote and benefit the horse industry in Idaho.

ORGANIZATION

The Board consists of seven members appointed by the Governor upon recommendation of the Idaho Horse Council. Board members serve a three-year term. Two members of the Board represent horse racing interests, one represents trail pleasure riding interests, one represents general horse interests, two represent show interests, and one represents breeding interests.

FUNDING

Operations of the Board are financed by an assessment of \$1.00 for each horse inspected by the Idaho State Brand Inspector. The assessment is paid by the horse owner to the State Brand Board which, in turn, remits these fees monthly to the Horse Board, minus 10% for collection.

The Horse Board approves an annual internal budget which allocates funds toward various research, educational, and promotional activities.

The staff consists of an executive director and secretary, both on contract with the Board. The Board's office is located in Hailey, Idaho.